

FINANCIAL WELL-BEING

Operational definition: a personal assessment of one's current and expected financial state.

Public definition: the ability to meet obligations in the present, secure the future and pursue the life one wants to lead.

Persons with high levels of financial well-being have low levels of financial stress, which stems from their assessments that they:

- **have control over their finances;**
examples: pay bills on-time, have their debt under control, are not worried about losing their home, etc.
- **have a financial cushion;**
examples: would have access to resources to cover household expenses for 3 months if a breadwinner in the household lost a job, have a plan to cover illness/injury-related costs (health insurance, savings, Medicaid), have liquid assets, have friends and family who could provide housing, financial support, good credit, etc.
- **are on-track to meet financial goals; and**
examples: paying off student loans, becoming debt-free, saving for retirement, college, vacation, down-payment on home, home repair/renovation, large consumer purchase (motorcycle, flat-screen TV, etc.)?
- **are able to make the choices that enable one to enjoy life.**
examples: able to go out to dinner; be generous with family, friends and community; take vacations; are not kept from making choices that would enrich their life by personal finances; feel the life they want to lead is within their reach, etc.

Persons with low levels of financial well-being have high levels of financial stress, which stems from their assessments:

- **their finances are out of control;**
examples: are unable to keep up with their bills, struggle to cover basics, worry about losing their home, are unsure where their money goes each month.
- **they do not have a financial cushion;**
examples: living 'paycheck to paycheck', do not have the resources for end-of-life expenses, do not have liquid assets, etc.
- **they are not on-track to meet financial goals; and**
examples: are leaving their financial future to fate or chance, are not putting as much money toward their financial goals as they should, feel there's plenty of time ahead to worry about saving for college, retirement, etc.
- **are unable to make the choices that would allow them to enjoy life.**
examples: feel like they are unable to keep up with the Joneses, feel that the things they want in life are beyond their reach financially, etc.

FINANCIAL ABILITY

Short definition: The ability to translate financial intentions into financial actions.

Persons with high levels of financial ability report that they know how to:

- **obtain reliable financial information;**
examples: figure out where to start in order to find reliable information to help them make a financial decision, discern trustworthy sources of financial information, identify financial options available to them, comparison shop, get multiple quotes, assess the gaps in their own financial knowledge, spot red flags in information/information sources, etc.
- **process financial information and make sound financial decisions; and**
examples: select the best product in accordance with their goals, discern between wants and needs, understand the implications of financial choices, plan for financial shocks, plan for the long-term, discern when financial advice doesn't apply to their particular situation, assess risks and tradeoffs, keep opportunity costs in mind when making financial decisions, etc.
- **execute financial decisions monitoring and adapting as necessary to stay on track.**
examples: get themselves to act on good intentions, set limits on themselves effectively, make use of tools that help them reach their financial goals, check to make sure financial decisions made in the past apply to the present(e.g., retirement portfolio allocations, insurance needs, program eligibility, etc., keep track of where their money is going.

Persons with low levels of financial ability report that they do not know how to:

- **obtain reliable financial information;**
examples: figure out where to start in order to find reliable information to help them make a financial decision, discern trustworthy sources of financial information, identify financial options available to them, comparison shop, get multiple quotes, assess the gaps in their own financial knowledge, spot red flags in information/information sources, etc.
- **process financial information and make sound financial decisions; and**
examples: select the best product in accordance with their goals, discern between wants and needs, understand the implications of financial choices, plan for financial shocks, plan for the long-term, discern when financial advice doesn't apply to their particular situation, assess risks and tradeoffs, keep opportunity costs in mind when making financial decisions, etc.
- **execute financial decisions monitoring and adapting as necessary to stay on track.**
examples: get themselves to act on good intentions, set limits on themselves effectively, make use of tools that help them reach their financial goals, check to make sure financial decisions made in the past apply to the present(e.g., retirement portfolio allocations, insurance needs, program eligibility, etc., keep track of where their money is going.